

**The 1997 NGO Sustainability Index
for Central and Eastern Europe and
the New Independent States**

Bureau for Europe and the New Independent States
US Agency for International Development

Note: Best available copy --
no introductory or additional
explanatory material submitted --
see 2nd (1998) and 3rd (1999) editions
for additional information

ALBANIA

Development of the Not-for-Profit NGO Sector

OVERALL: The NGO sector is progressing surprisingly well, given that it was non-existent five years ago. One reason for its steady development may be that many politically and socially conscious activists find the emerging NGO sector to be a better vehicle for their ambitions than party politics or trade unionism. Unlike these more traditional forms of political activism, the NGO sector enjoys greater political space, is untainted by the past, receives generous support from international donors, and can accommodate many "chiefs".

LEGAL ENVIRONMENT: 4 Laws on associations and foundations are vague but registration is quick and easy. NGOs are tax exempt and have little difficulty securing exemption in practice. NGOs are able to charge for minor services, such as membership fees and small service fees. Engaging in bigger, commercial activities is likely to run into problems, as the Fultz School's unsuccessful attempt to raise revenues, suggests. Yet pushing for a clarification of NGO legislation on this issue may be inopportune, as it may lead to greater restrictions rather than to a more explicit liberalization. The GOA appears to be intent on tightening up the NGO legislation.

ORGANIZATIONAL CAPACITY: 4 The best organizations are in Tirana. They make use of volunteers and staff and are able to secure donor funding. A few NGOs distinguish between their directors and their staff. Environmental, women's and social welfare NGOs are among the strongest; 40 youth organizations have joined an umbrella group, called The Albanian Youth Council. Most NGOs have no staff, few volunteers, and rely on 1-3 active members. Some NGOs have created a network of branches, but often that branch office is limited to one, not very well-informed person. Difficulties of transportation and communication complicate information sharing between branches and between headquarters and its branches. Two NGO support centers exist in Tirana. One, the NGO Forum, provides incubator services in four other locations. The other NGO support center is the Danish-funded Albanian Civil Society Foundation. A group of NGO trainers is emerging. Many trainers are associated with the Regional Environment Center. An organization specializing in NGO training, DeMeTra, exists.

FINANCIAL VIABILITY: 5 Nascency of sector and extreme poverty of the society severely limit the prospects for a financially sustainable NGO sector. Most larger NGOs could not survive currently without international aid. Some NGOs are diversifying their (foreign) donor base. NGO Forum offices in Tirana, Skodra, Korce, Berat, Gjirokaster provide meeting space, fax, and computer access for NGOs for a modest fee (funded till 3/99). Few NGOs appear to be thinking ahead to prepare for life after

foreign assistance. GOA's refusal to allow the Fultz School to engage in commercial activities (a business park) to support its mission may prove instructive for other NGOs that explore this option in future. (Hesitation expressed regarding accepting funding from GOA, even if it were available, b/c of fear of government control.)

ADVOCACY: 4 Select NGOs are communicating with parliament, ministries, local governments. Environmental NGOs appear most experienced and comfortable with assuming an advocacy role. The Women's Legal Group contributed provisions to recently passed labor code. The last parliament's agricultural commission held the first parliamentary public hearing in Fier in cooperation with the Farmers Association. There is some precedent of the NGO Forum serving as spokesman for the NGO sector, although in a somewhat self-appointed capacity--there is little precedent of NGOs forming coalitions around issues of shared interest to the sector. Two reasons for this, especially in Tirana, are the competition for donor funds and personality differences between leaders of "rival" NGOs. A third factor complicating relations between NGOs is which political camp they identify with or are subscribed to. Complicating issue-based NGOs' attempts to serve as advocates is the novelty of non-partisanship as a concept. The constant struggle of the Society for Democratic Culture to be and to portray itself as "non-partisan"--both within the organization and publicly--is reflective of the political polarization in the wider society.

PUBLIC IMAGE: 5 Local governments do not necessarily know what an NGO is. Yet some, such as Gjirokastra, demonstrate NGO-local government collaboration. Local governments have little to offer resource-wise, including space. The national government is becoming more aware of NGOs. Ministry of Labor has expressed interest in clarifying legislative authority for contracting services out to NGOs. The motivation behind this appears to be the government's intention to oversee or control NGOs. Government media attacked the non-partisan Society for Democratic Culture for criticizing May elections. Independent press offers little coverage of NGOs, and reflects little understanding of their role. To change this, a monthly press conference has been introduced to highlight significant NGO activities and initiatives. Petitions, resolutions, and interviews are being published in papers and broadcast on radio. State TV covers select NGO efforts.

OTHER DONORS:

<u>Venue</u>	<u>Source</u>	<u>Activity</u>
Albanian Civil Society Foundation	Danish Gov't.	Microgrants to new NGOs, computer training.
NGO Forum	Dutch/ORT.	5 regional NGO incubators.
SNV, Dutch NGOs	Dutch Gov't.	Partnership grants w/women's, envi, preventative health NGOs.

NGO Sustainability Analysis: Albania

Dutch Embassy Dutch Gov't. Small embassy grants.

BULGARIA

Development of the Not-for-Profit NGO Sector

OVERALL RATING: Bulgaria's nascent CSO sector has registered relatively little progress in all the areas identified in our analytical framework. While the broader enabling environment and managerial/administrative capacity of CSOs can be expected to improve over the near term, changing public attitudes about the related ability of these groups to secure adequate funding domestically will remain serious obstacles to sector sustainability.

LEGAL ENVIRONMENT: 4 Bulgaria is the only DemNet country in which a communist period law governs the registration of all CSOs. As a result, there are bureaucratic and administrative obstacles (e.g., cumbersome requirements) that "plague" the sector. For example, the law curtails the ability of CSOs to engage in economic activities. Nonetheless, a progressive draft law has been prepared and is slowly working its way through the government. Although the current law does not adequately promote a vibrant CSO sector, recent efforts to improve upon the enabling environment include the drafting of appropriate tax legislation with a reasonable outlook for its passage. The national government, while refraining from any harassment, does not regard CSOs, even those involved in "apolitical" activities, such as social service delivery, as a bonafide development partner. This also has an impact on broader public attitudes [see Social and Political Stature].

ORGANIZATIONAL CAPACITY: 3 USAID-funded training programs have enhanced the institutional capacity of a growing number of CSOs, but the impact on the sector as a whole is difficult to determine. The strongest organizations tend to be Sofia-based and have done little to expand their constituencies. Internal divisions within the CSO sector have reduced its effectiveness and dissipated energy and resources that could otherwise be devoted to capacity building. Also, other international donors active in the civil society area have tended to emphasize small grants to CSOs without the attending training component that characterizes USAID efforts. Those CSOs that are working with municipal governments, particularly in connection with the Mission's Local Government Initiative, appear to be benefitting organizationally and administratively.

FINANCIAL VIABILITY: 5 The vast majority of CSOs remain financially dependent on one or two international donors. Even if the organizations were to receive training on fundraising, they confront a very gloomy domestic economic landscape. Moreover, there is no real philanthropic ethos in the citizenry at large or that small segment of the business community that is prospering. For the foreseeable future, it is difficult to envision a CSO sector that is financially viable without

assistance from the international community.

ADVOCACY: 4 The CSO sector has not been an important player in public policy, which is both a cause and a consequence of having made little progress in building a popular base. Advocacy and public outreach skills and activities are in short supply. Many organizations do not even see influence in the political process as integral to their mission. Important exceptions are the trade unions, human rights organizations. Lack of cooperation and collaboration within the sector (understandable given the competition for limited resources) has also reduced CSO effectiveness at the national level. In contrast, there are instances of CSO-local government cooperation that has served to strengthen both parties.

PUBLIC IMAGE: 4 As elsewhere in the former communist world, the Bulgarian citizenry's attitudes toward CSOs are a major obstacle to the creation of a robust sector. Without a tradition of volunteerism or understanding of the role of CSOs in a democratic society, and with low levels of political efficacy and strong residual suspicion of public organizations, the political-cultural setting is decidedly inauspicious. The failure of CSOs to engage in public education and outreach and to demonstrate tangible results that touch citizens' lives has also contributed to the sector's generally low stature. However, there is some cause for optimism in that organizations that are active outside the capital have been meeting greater success in connecting with members/constituents/beneficiaries and as a result enjoy enhanced stature.

OTHER DONORS:

<u>Venue</u>	<u>Source</u>	<u>Activity</u>
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CROATIA

Development of the Not-for-Profit NGO Sector

Overall. The NGO sector in Croatia is characterized by the following: an unsupportive legal environment; a transition among NGOs from crisis response to a focus on long-term, sustainable goals; decreased international support; diversity and multiplicity of directions and activities; lack of transparency and advocacy skills; and a lack of cooperation and intra-sector communication. It is estimated that there are no more than 500 active NGOs in Croatia.

Legal and Regulatory Environment: 6 All NGOs are registered as citizens associations. Although they do not encounter difficulties in the registration process, the government does sometimes create obstacles, particularly for human rights NGOs. Neither local officials nor the government reacted to cases of harassment of NGOs. In the last year, NGO "Homo" was attacked three times and a staff member of "Open Eyes" was beaten--in neither case are suspects in custody. Financial police are sent to those NGOs which are "suspected" of operating "illegally". An NGO supervisory group inspects the work of NGOs on regular basis, visiting those NGOs with more funds and those that focus on "hot" topics, like human rights, more frequently. Soros foundation members have been charged with tax evasion and falsifying documents. Local NGOs make it their business to be well-informed of government requirements and thus try to avoid problems. The government is now considering extremely repressive NGO legislation. [more than one law?] The new "Law on Association", which has not yet passed the final reading in parliament, is extremely restrictive. Despite NGO lobbying efforts (local coalitions and ICNL), and requirements imposed by the Council of Europe, the legislation was only slightly modified prior to passage in the Parliament. Efforts are needed to amend existing or to draft new laws that will better define and clarify the legal and financial foundation of NGOs, e.g., tax status, public access to nonprofit NGO financial statements or annual reports to ensure accountability, reliable legal advice about nonprofit issues, etc. A clear, comprehensive, transparent, and fully enforceable body of legal and financial regulations is still necessary to support the NGO sector.

Organizational and Management Capacity: 3 NGOs reveal disparate levels of organizational development, ranging from those which are one-person shows without clear program definition, to those which demonstrate enhanced capacity to govern themselves and organize their work. The majority of USAID-funded NGOs have financial management systems in place, three or more diverse sources of funding, board of directors, organizational charts, etc. They represent an elite group, however, that is way ahead in its organizational development. The majority of other NGOs still lack organizational and management skills, reporting and

evaluation procedures. Few have a board of directors, and the organizational chart is a completely unknown concept. A core of local trainers from women's and human rights NGOs provide training in management and strategic planning. A lack of skills is particularly evident in such areas as strategic marketing for non-profit organizations, membership services, use of volunteers, self-governance, and an NGO's accountability to its members and the general public--as an indicator, approximately 5% of all active NGOs publish newsletters.

Financial Viability: 4 Domestic donations are marginal to date, reflecting in part a lack of understanding by NGOs, although economic hardship is probably the greater cause. Membership fees and fee-for-services are not common practice yet. Fundraising events organized by a number of USAID-funded NGOs proved to the general public and the NGOs themselves that domestic donors are interested in NGO activities. Recently, as a result of successfully cultivating a relationship, several NGOs received funds from the Ministry of Social Welfare. In general, it is much easier to establish a relationship or collaborate with a municipality than with a national, governmental institution. Local government contributions, although not frequently registered in the past, are becoming a steadier source of funding. Most NGOs are working on improving fundraising skills, assisted by foreign trainers and only a few local ones.

Advocacy: 5 As the right to form natural bonds of community was denied for a long time, small, rural villages show lack of community development. Most of the NGOs are based in major cities. Nevertheless, the beginning of diverse, local and grassroots initiatives are appearing in the rural areas. However, NGOs still do not understand their role as representatives of citizens' interests, and the role that they can play in public policy. The concept of public policy, and advocacy skills still need to be learned by the majority of NGOs. Some isolated cases of lobbying with political parties, public campaigns, round tables, etc., organized by women's NGOs, have been very effective. Human rights reports are largely ignored by the government.

Public Image: 5 NGO sector is misunderstood or poorly understood throughout Croatia. NGOs and their work are usually ignored by the press and electronic media. Only occasionally can articles be seen in the few independent magazines or in daily papers close to the opposition parties. NGOs face an uphill battle for acceptance in the society. The president himself has spoken out vehemently against the activities of certain local and international NGOs, number of Croatian intellectuals, and diplomatic representations who provide public support for cultural, media, and human rights activities. The concept of "volunteerism" as generally experience in the West is not widely understood. Public education about the purpose of NGOs and the

NGO Sustainability Analysis: Croatia

role that they can play in a free, democratic society needs to be initiated or recreated. The general public's understanding and perception of NGOs ought to be aligned with democratic principles. Targeted lobbying, public affairs, public relations, and social marketing are needed to assume this challenge. These skills, accompanied by transparency in NGO activities and institutional development, are not present in abundance among indigenous NGOs in Croatia.

OTHER DONORS:

<u>Venue</u>	<u>Source</u>	<u>Activity</u>
Open Society Inst.	Soros	Leading grant making body
UNICEF, UNOV, UNHCR	UN	War-related, thus declining. UNHCR most supportive of NGOs.
Germany, Norway, Sweden, Holland, Denmark	Bilateral	Not development/sustainability-oriented and decreasing since the end of the war.
C.S. Mott, Global Fund for Women, Quaker Peace & Service, Westminster Foundation, Lutheran World Federation	Private	War-related funding is decreasing. Primary source of support for a number of smaller NGOs--will they survive?
EU PHARE	EU	Not working in NGO sector.

CZECH REPUBLIC

Development of the Not-for-Profit NGO Sector

OVERALL RATING: Stage Two to Three. Biggest obstacles are the interrelated problems of a lack of understanding among government, business, and public for NGOs' role and contributions; NGOs' inexperience in cultivating paying members and corporate donors; and NGOs inability to raise adequate funding domestically.

LEGAL ENVIRONMENT: 2 Assets: Laws regulating the incorporation of three of the four different types of NGOs have been updated (foundation/civic association/public benefit organization/church-related organization). NGOs can register with a municipal office, a court, or at the Ministry of Interior, depending on the organizational form of the NGO. Corporations can deduct 2% of taxable income for charitable contributions; individuals can deduct 10%. The National Income Tax Law exempts NGOs from paying tax on certain categories of income, such as membership dues, donations, and bank interest. Sustainable base of Czech legal expertise in NGO law exists. Problems: Passage of the new Law on Foundations and Funds has been held up. Large companies do not consider the 2% deduction large enough. Non-exempt revenues of NGO activities get taxed at business rate which, together with the required separate accounting and tax records for profitable activities, serves as a disincentive to pursue more business-oriented approaches to revenue raising.

ORGANIZATIONAL CAPACITY: 1 Assets: NGO support center provides information, training, legal and financial consultations to all interested NGOs. Local trainers provide almost all donor-funded training, incl. DemNet voucher program, which is in demand among local NGOs. Level of organizational development and management skills has increased substantially. Problems: NGO support lacks reach into smaller communities, depends on foreign funding. Local capacity to teach fundraising techniques is constrained by dearth of local experience. Due to difficulties in covering operational costs, many NGOs are losing experienced staff to better-paying jobs. Staff motivation is considered the most critical problem by some of the more established NGOs, worse than the actual shortage of funds.

FINANCIAL VIABILITY: 2 Assets: Understand need to fundraise. Cultivating corporate donors through Donors' Forum and Olga Havel Foundation, which already serves in a limited United Way-type function in social service area. Problems: Service organizations rely on public funds, which are awarded by national ministries--lack of transparency, programmatic focus, merit basis. When competing for state funding, state service providers have the advantage over NGOs. Limited corporate philanthropy, constrained by lack of profits, limits on tax deduction, interest. Individual support, such as membership dues, is rarely

NGO Sustainability Analysis: Czech Republic

solicited, and is more symbolic than significant. Since indigenous, endowed foundations do not exist, advocacy NGOs and post-Velvet Revolution organizations rely heavily on foreign funding.

ADVOCACY: 3 Assets: Annual Conference of NGOs elects a standing committee. NGO center provides information and services to NGOs. Several leading NGOs are collaborating to publicize NGOs' services for the disabled and NGO efforts to integrate the disabled into society. Advocacy on behalf of the disabled and environmental protection is strong. Pre-election guides on parties' environmental platform published. Local environmental chapters communicate extensively with each other. Problems: NGO standing committee hesitates to speak for NGO sector as a whole--discomfort with advocacy role.

PUBLIC IMAGE: 2 Lack of media interest, except for negative stories. Gov't ambivalent toward NGOs--often seeks control, often considers irrelevant or not quite trustworthy. Some local branches of environmental NGOs cooperate with municipalities, good relationships often draw from personal involvement of an 'enlightened' official. Social service NGOs rarely do b/c funding comes from center. Surveys show public supports environmental NGOs. General distrust of NGOs--partially resulting from the widely reported, shady activities by some NGOs, partially from lack of familiarity--is slowly fading away. Petitions reasonably well, direct mailing is ignored.

OTHER DONORS:

<u>Venue</u>	<u>Source</u>	<u>Activity</u>
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ESTONIA

Development of the Not-for-Profit NGO Sector

OVERALL: Stage Two/Three.

LEGAL ENVIRONMENT: 2 Progress: The Estonian law is one of the most comprehensive in the CEE region. Estonia has adopted the traditional civil law structure for not-for-profit organizations, recognizing two legal forms: associations and foundations. Associations and foundations register with their local county or municipal court. Foundations may engage in commercial activities related to the purpose of the organization. Constraints: Individual charitable contributions cannot be deducted from personal income tax. A list procedure is used by the Ministry of Finance in order to allow businesses to deduct contributions to select NGOs. Registration of the NGOs is annual and has been frequently criticized for its lack of procedural transparency. New tax legislation, which has been drafted and approved by the Ministry of Finance, would eliminate the list procedure.

ORGANIZATIONAL CAPACITY: 2 (to 3) Approximately 5,000-8,000 NGOs exist in Estonia today. NGOs tend to be very small, with a volunteer staff of 4-5 people. Certain professional groups have a strong membership base; former state-sponsored NGOs are larger, national in scope, and employ staff. One-third of Estonian population is in Tallinn, and approx. 70% of resources available to NGOs stay in the capital. Two NGO centers exist, the Tonnisson Institute and the Center for Non-Profit Organizations and Foundations. As of July 1, 1997, the Jaan Tonisson Institute's NGO Center and the Federation of the Estonian Not-for-profit Organizations and Foundations (the former Estonian Foundation Center) will merge under the name of the latter to avoid further duplication of efforts. Currently they have 98 fee-paying members. The latter also offers member NGOs newsletters, training, seminars at reduced fees, as well as access to internet and library. Local training resources are available, including in advocacy and participation issues.

FINANCIAL VIABILITY: 3 Progress: Estonia has executed a swift economic transition and boasts a growing economy. Constraints: Foreign donor support to NGOs has drastically tapered off in recent years as a result. A study by the Estonian Institute for Open Society Research found that sports clubs and children's organizations tend to benefit from local corporate philanthropy: 24% of companies do not donate to NGOs; 50% of spend less than 50,000 kroons (\$4,200).

ADVOCACY: 3 Advocacy-oriented NGOs exist, such as the AIDS Center. Training in advocacy skills and participation issues is available locally through the Estonian Management Institute.

PUBLIC IMAGE: 3 Generally NGOs have a better public image than

NGO Sustainability Analysis: Estonia

other types of organizations, such as political parties. Public perceptions of NGOs are hurt by dubious examples of NGOs benefitting from tax-exempt status, such as a Tallinn church running a profitable restaurant on the side. Local governments generally are credited with being interested in NGOs' activities.

The Center for Non-Profit Organizations hosts well-attended NGO Open Houses in different regions of Estonia. Constraints: The Center cites the lack of media participation and interest in its events and news releases as evidence that NGOs are not viewed as newsmakers by media.

OTHER DONORS:

<u>Venue</u>	<u>Source</u>	<u>Activity</u>
Tonisson NGO	Various, EU, Soros	Program to promote NGO cooperation, advocacy
Ctr for Non- Profit Org's	Soros	NGO membership organization w/100 paying NGO-members
Open Estonia Foundation	Soros	Supports Ctr; grants to ethnic and human rights organizations

HUNGARY

Development of the Not-for-Profit NGO Sector

OVERALL: Stage Two to Three. Since 1995, the number of NGOs has increased. Recent data from the Hungarian Statistical .

LEGAL ENVIRONMENT: 2 Progress: Constraints:

ORGANIZATIONAL CAPACITY: 2 Progress: Constraints:

FINANCIAL VIABILITY: 3 Progress: Constraints:

ADVOCACY: 7 Progress: Constraints:

PUBLIC IMAGE: 5 Progress: . Constraints:

OTHER DONORS:

<u>Venue</u>	<u>Source</u>	<u>Activity</u>
	EU PHARE	
	Soros, UNDP	
Open Society Fund	Soros	

Cleared by AID/Vilnius, 2/11/97.

KAZAKSTAN

Development of the Not-for-Profit NGO Sector

OVERALL RATING: Biggest problem is public and government unfamiliarity with NGOs. There is no history in Kazakhstan of a private NGO function. It is probably that the government is not supportive of extending the loci of dissent.

LEGAL ENVIRONMENT: 5 There is no new law since the Soviet period on NGOs. Assets: There are NGOs working to form a coalition to create such a law. Problems: The NGOs are not aware of their new national civics, and may not be able to get the bill introduced. It is not clear in Kazakhstan that being registered is to the benefit of NGOs when the supporting "stage two" laws are not yet even being considered!

ORGANIZATIONAL CAPACITY: 4 Kazak NGOs are between Stage one and Stage two. Since the inception of the NGO Support project some NGOs have moved on to larger goals and coalitions. Assets: NGO support project has been able to provide its offices as an informal "center" for NGOs. Problems: Kazakhstan is a large and diffusely populated country, NGO support centers will be expensive to maintain on a decentralized basis.

FINANCIAL VIABILITY: 4 The USAID program is designed to build in sustainability, including fundraising. Assets: Many of the NGO donors work together to avoid grant overlap. Problems: It is doubtful at this point whether the domestic philanthropic mentality exists for self sustaining groups.

ADVOCACY: 5 The focus of many of ALC and Counterpart's new 1996 NGO trainings has been training in focus and advocacy. Assets: Many cross organizational workshops have been held in Kazakhstan. Problems: After publishing one controversial report a Kazak NGO had its registration revoked. Demonstrations were prevented in several cities outside the capital city last week. The Central Government major "voice of the people" was disbanded last spring, and has yet to complete its first year of service, thus is not sure of its role. There is no legislation empowering local governments, thus the lobbying opportunities at that level do not have the force of elections behind them. There will be no Presidential election until the year 2000 in Central Asia.

PUBLIC IMAGE: 5 Assets: USAID strategic objective focus has brought together the need for media and NGOs to become better informed. Those that have received training have produced press releases and gotten media coverage. Problems: The independent media in Kazakhstan is not financially stable, and thus is still considering PSAs as potentially sources for financial resources for the stations.

OTHER DONORS:

<u>Venue</u>	<u>Source</u>	<u>Activity</u>
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LATVIA

Development of the Not-for-Profit NGO Sector

OVERALL: Stage Two.

LEGAL ENVIRONMENT: 5 Unlike Lithuania and Estonia, the laws governing NGOs have not yet undergone comprehensive revisions. There are significant contradictions within the not-for-profit legal regime. Two legal forms for not-for-profit organizations exist: 1) associations ("public organizations"), defined as membership-based organizations and umbrella entities for public organizations. Some are true umbrella organizations, such as the Council of Creative Unions of Latvia; others are formed to allow an organization to function at the national level; 2) non-profit, limited liability companies, the only legal form which may be used to create non-membership-based organizations. A Cabinet regulation provides a mechanism for allowing public organizations to be placed on a list to receive tax deductible donations--85% of the donation may be deducted from taxable income of companies or individuals, up to 10% of total income.

ORGANIZATIONAL CAPACITY: 3 Progress: Most NGOs have a board of directors. Individual NGOs distinguish between and boast a board of directors, some paid staff members, a core of supporting volunteers and members. NGO Centre offers legal advising. Many NGO activists interested in training. Constraints: One-third of Latvia's population is in Riga; 94% of resource available to NGOs stay in Riga. Lack of indigenous NGO trainers. Most NGOs consist of a handful of volunteers. Few are membership-based. A 1995 survey of the Latvian Department of Social Welfare found that of approx. 500 social welfare NGOs, 60% had no salaried staff.

FINANCIAL VIABILITY: 3 Progress: Many NGOs have mastered proposal writing; have diversified funding sources to include several foreign donors. Most depend on volunteers. Riga municipality has on occasion, awarded grants. Growing economy in Riga, contracting one in rural areas. Constraints: Local governments have little knowledge and control over their budgets.

ADVOCACY: 4 Progress: NGOs have developed expertise based on clients served or associated members. In some instances, NGO research or expertise has helped change policies. Constraints: No broad, issue-based coalitions since independence. Lack of communication between NGOs--recent meetings of diverse NGOs in Riga and Jelgava were first-time events for participants.

PUBLIC IMAGE: 3 Progress: Media covers NGO activities. National government and parliament work somewhat with NGOs. The "Youth Organization" sponsored two major press conferences this fall to publicize issues important to its NGOs. Constraints: Local governments sometimes hostile or simply ignore; still view

NGO Sustainability Analysis: Latvia

NGOs with suspicion. Very few NGOs have established even the most basic of internal governance and control mechanisms, such as rules to address conflicts of interest and to prohibit self-dealing by board members, officers, and employees of their organization.

OTHER DONORS:

<u>Venue</u>	<u>Source</u>	<u>Activity</u>
NGO Center	GODenmark UNDP, Soros	Support for Center to provide incubator services to NGOs, annual NGO Forum, newsletter.
Open Society	Soros	Grants to NGOs (what are funding priorities?)

LITHUANIA

Development of the Not-for-Profit NGO Sector

OVERALL: Stage Two. With the new government's appointment of a dedicated NGO advisor, it is expected that the legal status of NGOs will improve, including perhaps enhancing their financial viability by allowing them to engage in commercial activities. Biggest needs are training (and experience), including the training of trainers, and financial sustainability.

LEGAL ENVIRONMENT: 4 Progress: NGO laws updated to recognize four types of CSOs: "community organizations", "associations," both membership-based, and "charity and sponsorship funds" (foundations) and "public institutions," both property-based. NGOs do not pay taxes on grants, although many NGOs describe the process of obtaining an exemption as difficult and time consuming. Businesses are allowed to deduct 40% of their profits from their taxable income for charitable contributions. Draft law to be introduced to new Seimas would make individual contributions tax-exempt and would exempt associations, foundations, and public institutions from taxes if profits support their NGO mission. Constraints: Registration law not yet updated (public institutions unable to register). Significant problem of inconsistent application of the law, esp. with regard to registration. Individual contributions are not tax-deductible. It is currently illegal for foundations and associations to engage in commercial activities, including financial investments. One exception: there is a specific list of income sources of associations and foundations which allow them to earn interest. Community organizations (and public institutions will) pay taxes on interest and rents earned, fees charged, etc (18% VAT, 29% income tax).

ORGANIZATIONAL CAPACITY: 4 Progress: Most larger NGOs, such as the DemNet grantees, have a board of directors. Boards, staff, and membership, however, are often indistinguishable from each other. The occasional NGO distinguishes between and boasts a board of directors and paid staff members in addition to the core of supporting volunteers/members. NGO Support Centre setting up regional satellites to inform, advise NGOs. Centre offers legal advising. Many NGO activists interested in training and hundreds have attended DemNet and NGO Support Center-sponsored training. Local trainers available to teach accounting, communication skills, civic education, coalition building, conflict resolution, and human resource management. Constraints: Most NGOs consist of a handful of volunteers. Few are membership-based. Even stronger NGOs do not recognize need to focus their mission and distinguish themselves from similar NGOs. Few local trainers for fundraising, strategic planning.

FINANCIAL VIABILITY: 4 Progress: Many NGOs have mastered proposal writing; have diversified funding sources to include several foreign donors, in-kind assistance from local governments

NGO Sustainability Analysis: Lithuania

(typically office space, utilities) and volunteers. A few municipalities have, on occasion, awarded grants. Constraints: Illegality of engaging in commercial activities is major constraint to revenue-raising and cost-retrieval. Depressed economy constrains ability of members to pay fees, beneficiaries to pay for services. Few NGOs display motivation or ability to do fund-raising. Lack of funding constrains government support. Local governments have little knowledge and control over their budgets.

ADVOCACY: 4 Progress: A few, narrowly defined advocacy organizations exist: political prisoners, environment, disabled. Due to DemNet advocacy requirement, NGOs learning what term "advocacy" means. Social and youth NGOs in Kaunas have formed umbrella organizations. Use of volunteers relatively widespread (factor of high unemployment?) Constraints: Little communication between NGOs. Little NGO input in the effort to amend legislation regulating NGOs. No broad, issue-based coalitions since independence.

PUBLIC IMAGE: 3 Progress: Media occasionally covers NGO activities though it is not especially knowledgeable or interested in the sector. Most local governments are not familiar with NGOs, though many Conservative Party-led municipalities give at least lip service to including citizens and NGOs through creation of advisory committees to parallel city council committees. Some municipalities reaching out sincerely and effectively (Kaunas, Siauliai). Constraints: Previous national government ignored NGOs, although more optimism with new government. Local governments sometimes hostile or controlling, still view NGOs with suspicion. NGO laws (and custom) do not define role played by Board of Directors and make few provisions for conflicts-of-interest. Increased NGO transparency and self-regulation needed.

OTHER DONORS:

<u>Venue</u>	<u>Source</u>	<u>Activity</u>
NGO Center	EU PHARE	2 million ECUs to support NGO Center, grants program (350,000 ECU)
NGO Center	Soros, UNDP	NGO database, legal consultations, NGO Forum, regional NGO fairs, bi-monthly bulletin sent to 1,200 NGOs
Open Society Fund	Soros	Grants for inter-ethnic relations

ISSUE PAPER
NGO DEVELOPMENT IN MACEDONIA

Issue: What is the status of NGO development in Macedonia at this time, and what activities should USAID undertake to further strengthen the NGO sector?

Background: USAID has been involved with the Macedonian NGO sector since the mission opened in 1993. Various projects have dealt with humanitarian, civic, legal, environmental, political, educational, and women's organizations. USAID project implementors have identified perhaps 500 active NGO's and have worked with them to improve organizational structures, expand membership, develop long-term strategies, improve internal management, and implement activities. Sub-grants have been provided to assist in initial capacity building, and to support specific activities which demonstrate that increased capacity. Most of the multi-year projects in the area of NGO development will finish in the 1997/1998 timeframe.

Discussion: Despite government estimates of around 5,000 registered NGO's in Macedonia, the actual number of active NGO's is probably closer to 500, a much smaller number per capita than most other countries in the region.

Citizen activism in the form of NGO activity is very low. It is difficult to judge the extent to which this non-involvement is the result of cultural factors, socialist traditions, or a general perception that the "listeners" are uninterested or unwilling to listen to citizen input to their decisionmaking processes.

It is true that many NGO's were initiated more to provide a forum for social activities than to provide a mechanism for citizen participation in democratic processes. We have seen, however, a significant shift in focus among our target NGO's, from a heavy focus on talking to a heavy focus on acting. Some of that shift can be credited to USAID activities. USAID activities have also targeted the other side of the equation: the listeners. Projects at the local and national government level have worked (and are working) to encourage more openness on the part of government to the idea of involving citizens in the decisionmaking process. Use of town meetings, workshops, information materials, media activities, and community events have been strongly encouraged and, in some cases, supported financially. While the results at the local government level have been encouraging, there is some question as to the capability of the 123 new municipal units to initiate, expand, and continue such activities, since much of their effort will need to be focussed on developing the basic structures of governance. But it is, of course, important that citizen involvement be integrated into these structures from the start. At the national level, the project is still too new to judge the government's real commitment to citizen involvement.

But it is clear that citizens' perceptions of government receptivity are a strong incentive to NGO development.

While the shift from social to community-based activism is commendable, many NGO's have not yet made the final shift: from community activity to advocacy. NGO's need to become more actively involved in policy dialogue at both local and national levels. They need to recognize their role in effecting change within the society. This shift in focus involves, however, a significant shift in how citizens perceive their own roles in a democratic system. It is difficult to judge how quickly such changes can realistically take place. Questions that need to be addressed, then, include the following:

- What are the barriers to expanded NGO activity in Macedonia? (social, legal, cultural, etc.)
- To what extent are the accomplishments realized under prior and existing USAID projects realistically sustainable?
- To what extent can the shift to greater participation in policy dialogue be realistically accelerated?
- What kinds of activities can/should USAID undertake in future to solidify gains to date, to ensure sustainability, and to encourage a greater focus on advocacy by Macedonian NGO's?

Question: What incentives exist now in Macedonia for citizen participation in non-governmental organizations (NGO's)?

The incentives identified by the team were the following:

- to obtain member services (information, benefits, etc.)
- to gain a channel of communication to policy makers
- to obtain an economic benefit through joint action (such as marketing)
- to assert independence from the government (or from the power structure)
- to share common interests
- to grab power
- to change the system or exercise social responsibility
- to participate in social activities
- to try to influence government decisions (to lobby)

Questions: What are the disincentives to citizen participation in non-governmental organizations (NGO's)?

The disincentives identified by the team were the following:

- government resistance
- concern that participation, in light of government resistance, will affect careers/
(unwillingness to challenge because of potential repercussions)

- lack of resources
- citizen cynicism about the effectiveness of NGO's
- distrust of groups
- disorganization/lack of knowledge of how NGO's should operate
- distaste for the competition between or among NGO's
- lack of tradition of volunteerism
- reaction against the socialist system of "forced" volunteerism
- lack of internal democratic systems in NGO's
- general lethargy/"don't want to be responsible"
- cliquishness of NGO's along ethnic, gender, or political lines
- lack of clear legal status and associated financial constraints
- unrealistic or vague goals, leading to inaction
- distrust over use of money by NGO leadership
- lack of accountability/transparency in NGO operations
- lack of clear regulatory framework (and its enforcement)
- potential misuse of NGO's by political parties or for political purposes
- resistance from economic and political powers

Looking at current activities undertaken by team members in connection with Macedonian NGO's, there seemed to be a feeling of satisfaction with progress made in the areas of membership enrollment, internal organizational structure, development of grantsmanship skills, internal transparency and accountability, and organizational and member commitment. Somewhat less satisfactory to team members was the level of progress on articulation of NGO mission statements and strategies, service orientation, and internal conflict resolution skills. And dissatisfaction was generally expressed about the issues of financial sustainability and advocacy roles.

POLAND

Development of the Not-for-Profit NGO Sector

OVERALL RATING: Since 1989, the third sector in Poland has enjoyed a renaissance with the registration of over 20,000 new, independent organizations over the past 7 years. NGOs are becoming professionalized as evidenced by the establishment of a network of NGO support organizations with standardized services and attention to performance quality; their acquisition of organizational development and management skills; existence of a cadre of skilled and knowledgeable indigenous trainers; increased efforts to develop indigenous funding sources through business and local government support; and greater role in social and economic policy formulation and development. Additional support is required in the areas of inter- and intra-organizational cooperation, such as coalition building; legal and administrative ability to establish endowed foundations; and lobbying. There is also a need to further develop cooperation with the public administration especially at the local level, to establish a country-wide, consistent and transparent mechanism for funding NGO activities by the local government and to devolve the responsibility for service delivery from the local government to NGOs.

LEGAL ENVIRONMENT: 2 Assets: Registering associations is relatively easy. There is no domination of the registration process by central government. Any objections or complaints brought forth by central or local government concerning NGOs must be settled by the judicial system, which is independent of the executive and legislative branches of government. Donations by individuals and businesses are tax exempt up to 10% of income. Problems: Courts have been refusing to register foundations if their statutes contain clauses enabling them to conduct business activities for the last two to three years, thereby closing a source of revenue for NGOs. NGOs are required to submit annual reports and financial statements to the Ministry most closely related to the organization's area of activity, resulting in a great degree of discrepancy in assessment and evaluation. Consistent and transparent requirements for reporting format and level of control are needed for the third sector as a whole. Currently, a new law on "public benefit" organizations is being considered, that would require the re-registration of the majority of foundations now operating in Poland.

ORGANIZATIONAL CAPACITY: 1 Assets: Increased knowledge of and cooperation among NGOs facilitated by a national information bank on NGOs that is regularly updated (KLON/JAWOR). Tremendous increase in skill acquisition since 1992 thanks to U.S. and European public and private aid promoting the development of indigenous training and NGO support organizations, such as the Open Society Network. Problems: Resources that support training are directed to training institutions and not to NGOs, hampering the development of a consumer market for training. There is an overall lack of awareness about the important role played by NGO support organizations in developing civil society. Indigenous resources are most often directed to NGOs meeting basic human needs. Organizations are only beginning to cooperate or form coalitions, especially as regards lobbying. Further assistance is needed to strengthen sustainability of the NGO-support organizations.

FINANCIAL VIABILITY: 2 Assets: Procurement of services by national and local government from NGOs is increasing. Models of consistent and transparent funding of NGOs by local government established and being replicated. Awareness of the need for diversity of funding sources is growing in the third sector. The development of community funds is at the initiation stage with the registration of United Way/Poland, a major grant secured for this purpose by Poland's Soros foundation (the Stefan Batory Foundation) and a number of local efforts, such as the project developed by one of the DemNet grantees. Poland has good training programs and consultation services available in fund raising. Problems: There are few indigenous endowed foundations, and it is very difficult to register them. There is a general fear that before reliable and consistent local sources are developed, foreign institutions will cease supporting the Polish third sector, thereby leaving NGOs without any significant sources of support.

ADVOCACY: 2 Assets: There is an increase in the number of public advocacy activities being initiated by NGOs, as evidenced by coalitions and umbrella groups of NGOs working on children's rights, rights of disabled persons, reproductive rights, human rights and environmental protection. During the last presidential campaign, a questionnaire was distributed to each candidate to determine their position on the third sector. The Forum of Non-Governmental Initiatives, a DemNet grantee, provides Parliament and the Senate information on the third sector and input on the formulation of the proposed law on public benefit organizations. The KLON/JAWOR Directory of Foundation and Associations has been distributed to all representatives in the national government. Problems: The practice of lobbying is in its beginning stage with both NGOs and elected representatives, therefore the role, ethics and techniques of this skill are not fully developed. Representation of the third sector as a whole has developed unevenly, at times from the top down, at times from the grass roots, resulting in tension between umbrellas claiming to represent NGOs and the lack of a unified front.

PUBLIC IMAGE: 2 Assets: During the last year, NGOs have begun to work more effectively with the media, as evidenced by an increase in positive local and national newspaper articles, radio interviews and television programs. A series on NGOs has been initiated on national educational television; local newspapers are covering the activities of DemNet grantees; DemNet conducted a press competition on the best article about NGOs which garnered over 200 entries, with the winning articles published by Poland's largest daily newspaper; Poland's largest daily newspaper gave front page coverage to an administrative decision by the Warsaw regional Treasury Office to impose a 40% tax on grants to NGOs and provided editorial comment denouncing this decision. The Forum of Non-Governmental Initiatives is developing a code of ethics with the Third Sector. Volunteer Centers are operating at four of the country's regional NGO support centers (members of Open Society Network) to promote volunteerism among individuals and prepare NGOs to include volunteers into their organizations. Problems: A 1993 audit of foundations established by central government institutions and supported by public funds found a number of serious irregularities. This was widely reported in the press and resulted in a distrust of all foundations by the general public. Gains have been made in trying to overcome this widely-held opinion, but unfortunately it will be some time before this view is dispelled. There is still an insufficient understanding among the populace as a whole of the role of the non-profit sector in a democracy. The third sector tends to be perceived narrowly as involving charitable activities - less frequently as conducting lobbying or representing particular

interests.

OTHER DONORS:

<u>Venue</u>	<u>Source</u>	<u>Activity</u>
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ROMANIA

Development of the Not-for-Profit NGO Sector

OVERALL: Following the demise of the Ceaucescu government in 1989, Romania experienced a burst of associational life, with NGOs springing up throughout the country. Many of these NGOs did not last long. Since then, in Bucharest and the major cities of Transylvania, a growing number of professional NGOs with paid staff and a core of volunteer workers have established themselves. Several of these began with large infusions of foreign donor dollars, now have national reach, and are impressive organizations. In addition, NGOs are generally recognized as viable members of the civil society community, and increasingly are interacting effectively with local governments, businesses and media. Still, the vast majority of Romanian NGOs remain small, poorly organized, and strapped for financing. Estimates of active NGOs range from 12,000-13,000 groups officially registered; of these, less than half are likely to survive for any length of time and many fewer will become viable over the long term.

LEGAL ENVIRONMENT: 4 Relative to their compatriots in other CEE countries, NGOs in Romania are relatively well off, from the legal standpoint. Law 21, the "sleeping beauty" that governs NGO activity and dating from 1924, remains in effect. It allows for reasonably quick and easy registration of both associations and foundations by appropriate sectoral government ministries. Because Law 21 is so old, there is no effective oversight at the national level of NGOs. The NGO Forum of 1995, spearheaded by Centras (an advocacy NGO founded by IFES with USAID support) and working with the Ministry of Justice, is finetuning a new NGO law which is scheduled to be presented publicly June 5. Best estimates are that it will be the end of the calendar year before the law receives government approval and is presented to Parliament for debate. Meanwhile, under regulations dating from 1991, NGOs are tax-exempt for membership dues, donations, and interest income, as well as from the VAT for public interest/humanitarian activities; they must pay taxes on economically generated revenue. As of 1994, donors to Romanian NGOs, including foreign donors, may deduct up to five percent of their annual taxable income, if given as a gift to an NGO.

ORGANIZATIONAL CAPACITY: 3 While many Romanian NGOs consist of a small group of activists organized around a particular issue (e.g., environment, disabled, Black Sea issues, etc.), increasingly they are coming to understand the value of having a core of paid staff and are acquiring the financial resources to do this, from Soros, EU/Phare, or World Learning. Often full-time staff will join an NGO for a particular project and then leave, since too often funds are available only on an activity-by-activity basis (donors dislike funding general operational/administrative costs). Except for the larger

Bucharest-based groups, boards of directors are still rather rare, as most Romanians work too hard and lack the time to engage in board activity. Many if not most Romanian NGOs are well aware of the generous foreign donor grant resources now available, and are taking advantage of training in how to access these. They also are seeking out management training, which increasingly is offered in the major cities outside of Bucharest.

FINANCIAL VIABILITY: 4 Foreign donor support remains essential for most NGOs. Without Soros funding in particular--which is by far the quickest and easiest to acquire--most NGOs would be hard-pressed to move beyond basic organizational meetings into project-based action. Dependence on foreign donor funding remains a necessity even for the larger Bucharest groups. Fostering the long-term existence of a truly indigenous Romanian grant-giving operation is a key challenge. NGO proposal-writing skills remain elementary, although more and more training in this is available and being taken advantage of. Some NGOs, such as the Society for Democratic Action, have raised modest amounts of funds locally.

ADVOCACY: 4 Romanian NGOs are waking up to the possibilities of advocacy activity. The human rights group, APADOR-CH, broke ground several years ago by employing a lobbyist to track draft legislation from a human rights perspective. The local elections monitoring organizations succeeded in convincing parliament to allow representatives of NGOs to monitor elections. Most lobbying to date, however, has taken place between individual citizens and their local governments--fostered through such programs as the Dialog Project, which operates in several cities in Transylvania. The Democracy Network Program, through World Learning, is probably the most active promoter and teacher of advocacy techniques for NGOs; advocacy is at the heart of WL's training methodology. Graduates of WL's advocacy training speak of the exciting avenues they see as open to them for dialoguing collegially with local government officials on particular issues. It had never occurred to most of them that having frank discussion with their elected officials on key issues and problems was an option. Local officials are reportedly increasingly receptive to NGO positions and proposals. But the process is just beginning.

PUBLIC IMAGE: 3 Increasingly NGOs are being taken seriously in Romania as development partners. They are seeking out local media coverage and putting their best foot forward. Local media in turn seem eager to cover NGO activities. As stated above, city council and other local government officials are willing and sometimes eager to deal with NGO groups, although this is by no means always the case. NGOs working in the same general topic areas (e.g., environmental protection) are starting to band together in informal coalitions to put out their message and to advocate their interests. There is every reason to believe that

NGO Sustainability Analysis: Romania

the new national level government will be more receptive to NGO issues than their predecessors--who were reasonably cooperative to begin with. The president's office has a highly competent senior adviser on NGOs on staff.

OTHER DONORS:

<u>Venue</u>	<u>Source</u>	<u>Activity</u>
Soros		

EU PHARE

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RUSSIAN FEDERATION

Development of the Not-for-Profit NGO Sector

OVERALL RATING: Politically, NGOs and civil society have come a long way since 1992. Widespread appreciation for civil liberties and the right to hold differing opinions eventually means that Russians will start to make use of their newly-acquired freedoms to organize, and increasingly vocalize their interests to the government. The long-run chances for the "third sector" thus, appear relatively good. However, the overall economic climate necessary, ultimately, for any longer-term sustainability in civil society is simply not yet present. Banking and lending institutions find it far more profitable to continue investments in holding companies, rather than in production, due to inconsistencies in Russian tax, fiscal and procurement policies.

The squeeze on corporations to pay taxes as high as 90% of profits (sometimes higher) do not lend themselves to an atmosphere where the NGO sector, dependent on philanthropy, could profit. While concerns about immediate political stability have lessened since June, the current atmosphere of ungovernability from Moscow's perspective may prompt larger economic (and even political) crackdowns, which would certainly discourage the long-term growth of an independent, prosperous civil society. In order for this society to manifest, Russian economic production, particularly that in the industrial Volga and Siberian heartlands, will have to be revived.

Public perception of NGO activities, and the perceptions of the NGO community itself, remain strongly conditioned by soviet-era conceptions which saw NGOs as simply "transmission belts" for the state, rather than independent organizations on their own. Overcoming this legacy remains perhaps the strongest attitudinal obstacle to longer-term change.

Background. Russia's economy remains stymied, in part because of the tremendous wage, enterprise and tax arrears affecting every economic sector and region, brought about in part, ironically, because of the Russian Government's steadfast adherence to the conditionality of structural readjustment guidelines required by the on-going \$10 billion IMF loan. (The fact that the IMF canceled its October tranche suggests that tax arrears, in particular, have grown so troubling that international donor agencies cannot afford to ignore them.) The uncertain outcome of Yeltsin's operation, and the near disintegration of the moderate coalition that brought President Yeltsin to power a second term have acted to undermine political stability, despite generally free and fair elections. All parties seem to agree that continued political instability would damage Russia's short-term, and perhaps long-term chances for economic restructuring and recovery. NGOs face not only these "macro" difficulties but a historical environment deeply suspicious of voluntarism and generally indifferent toward charity.

LEGAL ENVIRONMENT: 3 Assets. NGOs have received clearer direction on their legal status and the legal scope of their activities from the laws "On Public Associations" (May 1995), "On Charitable Activity and Charitable Organizations" (July 1995), and "On Non-Commercial Organizations" (December 1995), as well as from provisions contained in the Civil Code (January 1995).

Problems. Currently, the legal framework on charitable giving to NGOs is unclear. While this is recognized as an issue within the NGO community, there haven't been many efforts to amend the law.

Similarly, NGOs are quickly recognizing the value of receiving government contracts for service delivery but procurement guidelines are not well established. At the national level and at dozens of local levels, draft legislation on such procurement (known as social contracting (*sotsial'nyi zakaz*) are being discussed, but have not yet been adopted.

ORGANIZATIONAL CAPACITY: 3 Assets. The two pre-eminent NGO resource centers in Siberia (Novosibirsk) and the North Caucasus region (Krasnodar) serve a total of 15 cities, and are actively utilized by regional NGOs as training and networking centers. (Eurasia Foundation serves as many as 30-40 umbrella regional organizations with considerably smaller grants.) Local training capacity appears to be growing, with Moscow trainers capable of leading on a full range of topics, including: organizational management, volunteer management, fund-raising, coalition-building, advocacy, financial management, and legal issues. NGOs are requesting training and information on specific topics. Russian managers are taking over responsibilities from departing US PVOs (such as the Winrock Consortium). Problems. Large regional discrepancies in NGO development create inconsistencies, particularly outside Moscow and various regional hubs. NGOs still clearly suffer from an absence of a clearly-defined membership, defined Boards of Directors, a lack of internal democratic governance and too many one-person NGOs.

FINANCIAL VIABILITY: 4 Assets. Training on fund-raising is widely available and grant-writing is now a common activity among NGO activists, who have learned surprisingly quickly about the mechanics of tapping into outside funding sources. International donors are actively funding NGOs throughout Russia.

There is widespread movement to adapt local laws on local government procurement of the *sotsial'nyi zakaz*. There is understanding among the NGO community at large (albeit little activity) on the need for developing domestic funding sources, and the larger notion of corporate philanthropy. Problems. At this point, little funding diversification away from the international donor community can be said to exist (one report, e.g., states that 85% of all funding of Russian NGOs comes from foreign sources). Current tax legislation and the ad hoc behavior of Russian firms in the face of such lack of fiscal and

tax coherence clearly discourages financial philanthropy because of the requirements of reporting profits (which most firms simply do not do). Giving is largely done by means of personal contacts and is far from systematic. Perhaps more importantly, a depressed economy cannot sustain the financial needs of NGOs and the social sector, regardless of tax laws.

ADVOCACY: 3 Assets. At both local and national levels, NGOs are becoming increasingly active in advocacy campaigns and are working with local governments to solve problems. In Russian, the operative term for future success appears to be "partnership" (*partniorstvo*) rather than "lobbying" (*lobirovanie*), reflecting a growing attitude of working together to solve problems. Citizen advisory boards are increasingly common, for example, within local governments. Coalitions among women's, human rights, environmental groups and social service delivery agencies, and others are clearly forming and influencing policy. Some groups actively monitor and lobby their local government officials on selected topics. Some cases of political activism are evident--the Mothers of Soldiers against the war in Chechnia), an environmental group in Yekaterinburg, which sent out and then published in a local newspaper candidate surveys, a network of youth organizations in 40 different cities doing voter education aimed at younger voters. Problems. Russia's political history has given activism a bad reputation; therefore, many NGOs explicitly shy away from involvement in politics, advocacy or anything resembling it. The public remains largely unaware of this side of NGOs' work and the role they can and do play in policy-making and politics. Systems for civic participation are not yet institutionalized at either local or national levels.

PUBLIC IMAGE: 4 Assets. The NGO sector is beginning to recognize the importance of social marketing; organizations even exist that train solely on this topic (for example, NGO "Focus"). Regular television shows in southern Russia explain the work of local NGOs to the public. In Siberia, an "NGO Day" was held to publicize the work and successes of NGOs in the region. Government is increasingly aware of the role NGOs can play, and in many cases have set up citizen advisory boards on various issues. Problems. Media does not generally cover NGO activity, with some exceptions (eg, Mothers of Soldiers). While there are publications by and for the NGO sector, there is no systematized self-regulation or established code of conduct for NGOs. The problem is exacerbated by cynicism of the public toward artificial "NGOs" generated by the state during the Soviet era (eg, the Women's International Peace Committee); such perceptions are strongly held and discourage new activity. A recent survey, for example, found that only 4% of the population were aware of the role NGOs can play.

Opportunities. The Russian-American Enterprise Fund remains backlogged with very little transactions taking place, despite some recent USAID and congressional criticism of the Fund. NGOs remain deeply dependent on USAID, the NIS Consortium, the Soros Foundation and the Eurasia Foundation, rather than on indigenous sources, for funding.

Goals. USAID's primary goal in Russia remains the strengthening of a vibrant, grass-roots civil society, diverse, pluralistic and powerful enough to withstand a new authoritarian impulse from a declining Moscow and its attendant state institutions, severely weakened after five years of erosion and decline. The USG's secondary role, given Russia's "graduation" date of FY1998 (or FY1999)--a figure that practically no one on the field feels is realistic or appropriate--is to encourage a corporate atmosphere conducive to philanthropic charity, buttressed by an effective tax code that permits, and encourages, private charity. (No such tax code currently exists.)

Strategies. The possible endowment of the Eurasia Foundation, with its focus on small-grant mechanisms to promote small business and civil society development after FY1997 represents one element of ensuring the first goal may continue to be met regardless (or perhaps because of) USAID's departure from Russia. However, there is currently little enthusiasm for pursuing that goals, given severe budget reductions for Russia (FY1997--approximately \$50 million altogether) and competing demands for those resources.

Suggested Target Indicators: (In order of importance) (a) an economic recovery, marked by high rates of internal investment in the most profitable sectors of the economy--oil, gas, natural resources, minerals, light manufacturing; (b) the enactment of local tax legislation and municipal legislation encouraging charity and normalizing NGO involvement in local political and economic activities; (b) increased NGO community outreach programs and more professionalized, pluralistic NGO management in day-to-day operations; (c) increased dissemination of information, through publishing and the internet, among NGOs working on similar issues.

OTHER DONORS:

<u>Venue</u>	<u>Source</u>	<u>Activity</u>
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GENERAL RECOMMENDATIONS: Require match funding; keep grants small and use grants to encourage, rather than dissuade, NGO cooperation and effectiveness; assist NGOs to expand outreach to the private sector; encourage NGOs to adopt more professional organizational systems and engage in community outreach; encourage Russian Government legal drafters, NGOs, donor organizations to dialogue together on tax regulations, significance and role of NGOs, particularly at the local level. Initiate forums for discussion, but leave work and organizational particulars to NGOs; and encourage more publishing of books, pamphlets, as inexpensive substitute for conferences which are more costly, cumbersome, difficult, etc.

SLOVAKIA

Development of the Not-for-Profit NGO Sector

OVERALL RATING: It is difficult to rate the status of the NGO sector in Slovakia because of the contradictions which exist between the ability and capacity of the NGO sector itself, and the overall political environment in which they operate. Some members of the current GoS have voiced suspicion about the sector's connection to foreign funders and view the sector as part of the opposition. This GoS view has implications for the legal, financial, and public perception of the sector.

There are more than 10,000 NGOs registered in Slovakia, the vast majority of which were created after 1989. The legal status of the sector is currently in flux as the government is in the process of preparing a comprehensive NGO legislative framework. It is still unclear what the complete legislative framework will look like and how the new laws will be implemented, which has caused considerable uncertainty within the sector, and heightened suspicion of the GoS' intentions toward the sector. The NGO sector has functioning organizational and representative structures in place, including the Gremium for the Third Sector and the Slovak Academic Information Agency - Service Center for the Third Sector (SAIA-SCTS). The NGO sector holds an annual conference, and has done so for the past three years, at which the sector as a whole looks at its developmental needs, identifies its priorities for the coming year, and develops a strategy for accomplishing these priorities. The sector has made considerable strides in the past year in developing its political voice and its role as a forum for public policy, most significantly in its opposition to the Bill on Foundations. The sector united in the "SOS Third Sector Campaign" and stimulated public debate on this legislation, attracting significant support, both domestically and internationally, for the NGO sector's position. While the bill ultimately passed with few modifications, the campaign did much to raise public awareness of the NGO sector, and improve the sector's overall image. The NGO sector and international observers remain concerned about how the Foundations Law will be implemented and about the delay in enactment of the companion pieces of legislation which would provide alternative legal forms under which NGOs can register.

LEGAL ENVIRONMENT: 4 Articles 29 and 37 of the Slovak Constitution guarantee the right of Slovak citizens to associate freely in clubs, societies or other organizations. There are currently two legal forms under which NGOs can register and operate, civic associations and foundations. However, the GoS is in the process of preparing legislation which would create two additional legal forms, Non-Investment Funds (NIFs) and Non-Profit Public Benefit Organizations (NPPBOs). The first of these laws is expected to become effective June 1, 1997 and the latter January 1, 1998. To date, NGOs have reported no difficulties in registering (outside the usual bureaucratic hassles) and operate without harassment from the state. However, only six foundations have re-registered under the new Foundations Law, which came into effect September 1, 1997. Some fourteen applications are currently pending approval. Many existing foundations are registering as civic associations because they are not able to meet the requirements to re-register as a foundation. Corporations can deduct 2% of taxable income for charitable contributions; individuals can deduct 10%. The Income Tax Law exempts NGOs from paying tax on certain categories of income, such as membership dues, donations, and--under certain conditions--income generated by economic activities related to the

purpose of the NGO. The Ministry of Finance (MoF) is in the process of preparing a new Income Tax Law which is expected to go into effect January 1, 1998. However, it does not appear likely that there will be any changes in the new Law as it relates to NGOs. Problems: All existing foundations must re-register under the terms of the new Law on Foundations by August 30, 1997. Two companion pieces of legislation, the Bills on NIFs and NPPBOs, would provide suitable alternatives for those (primarily small) foundations not able to re-register as foundations under the new Foundations Law. With the enactment of these two bills, experts tell us Slovakia could have a model NGO legislative framework in place. Much will then depend on how all these NGO laws are implemented.

ORGANIZATIONAL CAPACITY: 2 Assets: The level of organizational and management capacity varies among the sectoral areas, with environmental NGOs being the best organized and strongest organizations. Social and humanitarian, while by far the most numerous, are also the weakest organizationally and managerially. The number of paid staff and the number of volunteers working in NGOs increases yearly. Based on an April 1996 survey conducted by SAIA-SCTS of 1,639 NGOs (generally considered to be the most active in Slovakia), the average number of full-time staff in a NGO was 2.18, and the number of volunteers grew from 142 in 1994 to 233. SAIA-SCTS which has offices in six cities around Slovakia, acts as a clearinghouse for information on the sector, housing a database and directory of NGOs, and as a resource center for NGOs, providing training and advice, and publishing a quarterly newsletter for NGOs. There are several local organizations which provide training and support services for NGOs on a variety of topics, including the Center for Support of Local Initiatives in Banska Bystrica, the Environmental Training Partnership in Kosice, and Partners for Democratic Change in Bratislava. Problems: NGO support structures currently lack adequate outreach to smaller communities. The sector itself has identified this as a problem and is taking steps to correct it. These steps include the creation of regional Gremiums and a shift in NGO activities to focus on rural communities and citizen participation.

FINANCIAL VIABILITY: 3 Assets: The NGO sector in Slovakia is still largely dependent on foreign funding, especially NGOs working in the areas of democracy and human rights. The NGO sector in Slovakia has begun to realize this and to recognize that it must play a role in the development of a domestic donor base. The NGO sector, in cooperation with a multitude of private funders and government donors, has begun to explore community foundations and other community models as ways to foster community philanthropy in Slovakia. Although there is evidence that domestic support for NGOs is on the rise, there still exists a perception among NGOs that local businesses don't give. Local capacity to teach fund-raising techniques also needs to be further developed. Efforts to develop a stronger domestic donor base are under way and include the establishment of a number of community foundations around the country and other efforts to develop linkages with local government, business and the community at large. These include the Slovak community philanthropy development initiative and the USAID/American Chamber of Commerce corporate philanthropy initiative. The Gremium is also lobbying the MoF for changes in the Income Tax Law, including an increase in the percentage of deductible income for businesses and individuals, and greater tax breaks for NGOs, especially on income earned through economic

activities for the purpose of carrying out publicly beneficial purposes. Problems: Substantial funding for social and humanitarian NGOs comes from the state and is awarded by the various ministries. There is a lack of transparency in how these funds are awarded and some ministries have tended to favor certain NGOs over others (generally thought to be for political reasons) which has caused tensions within the NGO sector. Many of the problems with developing a domestic donor base stem from the fact that Slovakia is just emerging from an economic depression and in general, lacks a tradition of charitable giving.

ADVOCACY: 2 Assets: The Gremium, an elected representative board for the NGO sector advocates for the interests of the sector and participates in the drafting of and comments on legislation relating to the NGO sector. In 1996 the Gremium organized the "SOS Third Sector Campaign" against the then-pending Law on Foundations. The NGO sector opposed this law because they felt it increased government involvement in the registration and operation of the sector, it introduced more restrictive conditions for the registration and operation of foundations, and because it contained a requirement for minimum basic assets (100,000 SK or approximately \$3,000) which many existing foundations would not be able to meet. Through this campaign the Gremium was able to stimulate public debate of this draft legislation and to mobilize sector and public support for their position through a series of debates on this draft legislation, interviews with the media, public rallies around the country, letters to and meetings with members of parliament and the international community, etc. There are several other examples of NGOs successfully advocating for an issue or policy, and/or influencing public policy. These include the NGO People and Water's campaign against the construction of a dam in eastern Slovakia, the Association of Judges' protest against perceived political interference in the approval of two judges, the Syndicate of Journalists' opposition to the Ministry of Culture's (MoC) media law, and the Save Culture protests against perceived MoC interference in the independence of cultural institutions. Another illustration of the sector's ability and capacity to respond to changing needs, issues and interests in the community and country include the decision at the 1996 national conference to create regional offices of the Gremium in order to better serve the needs of and be in touch with NGOs around the country. This was in response to the territorial and administrative redistricting of the central government which occurred in 1996, as well as the growing regionalization of the sector. At this conference, the sector also took the first steps toward developing cooperative relationships with other sectors, including business, trade unions, and local government. This illustrates the NGO sector's awareness of the need to, and importance of, joining forces with other members of the community to pursue issues of mutual interest and to jointly solve community problems. The Gremium has since entered into an agreement of cooperation with the Confederation of Trade Unions. Problems: The sector needs to maintain the momentum gained this past year and find ways to share the lessons learned from its successful advocacy campaigns. The sector's advocacy was generally carried out in response to crisis situations, they need to develop a more sustained and strategic approach to advocacy.

PUBLIC IMAGE: 3 Assets: The "SOS Third Sector Campaign" mentioned already contributed significantly to increasing public knowledge of the NGO sector, to improving their understanding of the role NGOs play in democratic society, and to the development of a positive image of the sector in

general. Based on the results of a public opinion poll from February 1996, the majority of respondents perceive NGOs as useful, with social and humanitarian NGOs, not surprisingly, topping the poll. Media coverage of the NGO sector has increased dramatically in the past year as well, and while the media outreach element of their work still needs development, NGOs are increasingly making media and public outreach a part of their organizational strategies. For example, over 593 articles or broadcasts dedicated to the work of DemNet grantees were reported in 1996, a figure which under-reports the actual total. Also, during the "SOS Campaign" a survey of the media found that 123 reports, articles, interviews and analyses were published over a two month period and 66% of the Slovak population reported that were aware of and paid attention to the media debate about the Foundation Law. Problems: Some members of the current GoS are suspicious of the NGO sector, at least certain NGOs. There is a perception among the sector that the GoS would like to split the sector in order to better control it. Evidence to support this was seen in the appearance of a pro-government umbrella NGO organization, the Union of Associations and Foundations, during the midst of the "SOS Third Sector Campaign." This Union did not join in the campaign and was quoted as being in favor of the GoS' version of the draft Law on Foundations.

USAID NGO SUPPORT - FUTURE PLANS: With the Democracy Network Program entering the final year of a three year program, we have begun to think about "what next" as far as USAID support to the NGO sector in Slovakia goes. As there already exists considerable support from bilateral and multilateral donors and private funders to support indigenous NGOs, including EU Phare, British Charities, Open Society Fund, Ford Foundation, Rockefeller Fund, Mott Foundation, Sasakawa Peace Fund, and German Marshall Fund among others, we believe that our future support for the NGO sector will be better placed in trying to generate mechanisms to support the long-term sustainability of the sector. As Slovak NGOs have proven themselves capable of managing grant funds, carrying out projects, and analyzing and addressing their own development needs, we also believe that any future assistance we provide should be conveyed directly through indigenous organizations. Therefore a U.S. NGO managed program is no longer necessary or appropriate. We have tried to identify some of the most important developmental needs which still face the sector. Many of these issues will continue to be addressed in the remaining year of DemNet and through other on-going USAID funded activities such as the NDI community organizing project and the VOCA rural development project. We believe the most pressing problem, however, is the development of a dependable, domestic financial base for the sector's long term sustainability. Right now the NGO sector is still largely dependent on foreign donors. Toward this end, we will be working directly with the NGO sector to support its own efforts to stimulate philanthropy in Slovakia, through the CPDI, as well as the corporate philanthropy initiative. Additionally, we will pursue the creation of an endowed indigenous grant-giving foundation to support democracy building NGOs beyond 1999. The goal of this foundation will be to sustain support for democratic reforms and to provide limited, longer term financial support for democracy building NGOs in Slovakia, as these NGOs are likely to have a harder time securing resources from domestic sources than NGOs working in the social, humanitarian, and environment sectors. An endowed foundation would also provide a more structured framework for identifying and supporting other worthwhile democracy building activities.

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SLOVAKIA

OVERALL RATING: Stage 2.5: It is difficult to rate the status of the NGO sector in Slovakia because of the contradictions which exist between the ability and capacity of the NGO sector itself, which we rate quite high, and the overall political environment in which they operate. Some members of the current GoS have voiced suspicion about the sector's connection to foreign funders and view the sector as part of the opposition. This GoS view has implications for the legal, financial, and public perception of the sector.

There are more than 10,000 NGOs registered in Slovakia, the vast majority of which were created after 1989. The legal status of the sector is currently in flux as the government is in the process of preparing a comprehensive NGO legislative framework. It is still unclear what the complete legislative framework will look like and how the new laws will be implemented, which has caused considerable uncertainty within the sector, and heightened suspicion of the GoS' intentions toward the sector. The NGO sector has functioning organizational and representative structures in place, including the Gremium for the Third Sector and the Slovak Academic Information Agency - Service Center for the Third Sector (SAIA-SCTS). The NGO sector holds an annual conference, and has done so for the past three years, at which the sector as a whole looks at its developmental needs, identifies its priorities for the coming year, and develops a strategy for accomplishing these priorities. The sector has made considerable strides in the past year in developing its political voice and its role as a forum for public policy, most significantly in its opposition to the Bill on Foundations. The sector united in the "SOS Third Sector Campaign" and stimulated public debate on this legislation, attracting significant support, both domestically and internationally, for the NGO sector's position. While the Bill was ultimately passed with few modifications, the campaign did much to raise public awareness of the NGO sector, and improve the sector's overall image. The NGO sector and international observers remain concerned about how the Foundations Law will be implemented and about the delay in enactment of the companion pieces of legislation which would provide alternative legal forms under which NGOs can register. Through the International Center for Not-for-Profit Law (ICNL), we will continue to work with the Ministry of Justice (MoJ) and the Gremium on the preparation and enactment of the two remaining draft laws. Also, through the DemNet Country Program, we have awarded a sub-grant to an indigenous NGO to conduct a legal education activity on the new NGO legislation. This activity includes training lawyers to provide legal advice for NGOs re-registering under the new laws as well as general information on what the new laws mean for NGOs and how they operate. ICNL has been providing technical legal assistance for this activity as well.

LEGAL STATUS: Stage 2: Articles 29 and 37 of the Slovak Constitution guarantee the right of Slovak citizens to associate freely in clubs, societies or other organizations. There are currently two legal forms under which NGOs can register and operate, civic associations and foundations. However, the GoS is in the process of preparing legislation which would create two additional legal forms, Non-Investment Funds (NIFs) and Non-Profit Public Benefit Organizations (NPPBOs). The first of these laws is expected to become effective June 1, 1997 and the latter January 1, 1998. To

date, NGOs have reported no difficulties in registering (outside the usual bureaucratic hassles) and operate without harassment from the state. However, only six foundations have re-registered under the new Foundations Law, which came into effect September 1, 1997. Some fourteen applications are currently pending approval. Many existing foundations are registering as civic associations because they are not able to meet the requirements to re-register as a foundation. Corporations can deduct 2% of taxable income for charitable contributions; individuals can deduct 10%. The Income Tax Law exempts NGOs from paying tax on certain categories of income, such as membership dues, donations, and--under certain conditions--income generated by economic activities related to the purpose of the NGO. The Ministry of Finance (MoF) is in the process of preparing a new Income Tax Law which is expected to go into effect January 1, 1998. However, it does not appear likely that there will be any changes in the new Law as it relates to NGOs. Problems: All existing foundations must re-register under the terms of the new Law on Foundations by August 30, 1997. Two companion pieces of legislation, the Bills on NIFs and NPPBOs, would provide suitable alternatives for those (primarily small) foundations not able to re-register as foundations under the new Foundations Law. With the enactment of these two bills, experts tell us Slovakia could have a model NGO legislative framework in place. Much will then depend on how all these NGO laws are implemented. ICNL, through its USAID grant, will continue to work with the MoJ and the Gremium on the preparation and enactment of these two remaining pieces of status legislation. They have also begun to cultivate a working relationship with the MoF to assist the NGO sector in their efforts to improve the tax environment for NGOs and donors.

ORGANIZATIONAL AND MANAGEMENT CAPACITY: Stage 2.5: Assets: The level of organizational and management capacity varies among the sectoral areas, with environmental NGOs being the best organized and strongest organizations. Social and humanitarian, while by far the most numerous, are also the weakest organizationally and managerially. The number of paid staff and the number of volunteers working in NGOs increases yearly. Based on an April 1996 survey conducted by SAIA-SCTS of 1,639 NGOs (generally considered to be the most active in Slovakia), the average number of full-time staff in a NGO was 2.18, and the number of volunteers grew from 142 in 1994 to 233. SAIA-SCTS which has offices in six cities around Slovakia, acts as a clearinghouse for information on the sector, housing a database and directory of NGOs, and as a resource center for NGOs, providing training and advice, and publishing a quarterly newsletter for NGOs. There are several local organizations which provide training and support services for NGOs on a variety of topics, including the Center for Support of Local Initiatives in Banska Bystrica, the Environmental Training Partnership in Kosice, and Partners for Democratic Change in Bratislava. Problems: NGO support structures currently lack adequate outreach to smaller communities. The sector itself has identified this as a problem and is taking steps to correct it. These steps include the creation of regional Gremiums and a shift in NGO activities to focus on rural communities and citizen participation. In its final year, the DemNet Country Program will concentrate on the development of grantee NGO capacity in a number of areas, including advocacy, strategic thinking and planning, efficient and effective management, implementation of accurate accounting and financial planning procedures, development of realistic and accurate reporting mechanisms, and development of fund raising and proposal writing capacity. USAID is also funding the Volunteers in Overseas

Cooperative Assistance (VOCA) rural community development program which works with NGOs and community leaders to encourage economic sustainability and democratic decision-making in rural areas. Through a series of workshops, seminars and meetings, this program works with rural community associations to develop skills such as project planning, asset building, social and economic analysis, and fund-raising, at the conclusion of which the rural communities are eligible for mini-grants to carry out a specific community-defined activity.

FINANCIAL STATUS: Stage 2.5: Assets: The NGO sector in Slovakia is still largely dependent on foreign funding, especially NGOs working in the areas of democracy and human rights. Although there is evidence that domestic support for NGOs is on the rise, there still exists a perception among NGOs that local businesses don't give. Local capacity to teach fund-raising techniques also needs to be further developed. Efforts to develop a stronger domestic donor base are under way and include the establishment of a number of community foundations around the country and other efforts to develop linkages with local government, business and the community at large. These include the Slovak community philanthropy development initiative and the USAID/American Chamber of Commerce corporate philanthropy initiative. The Gremium is also lobbying the MoF for changes in the Income Tax Law, including an increase in the percentage of deductible income for businesses and individuals, and greater tax breaks for NGOs, especially on income earned through economic activities for the purpose of carrying out publicly beneficial purposes. Problems: Substantial funding for social and humanitarian NGOs comes from the state and is awarded by the various ministries. There is a lack of transparency in how these funds are awarded and some ministries have tended to favor certain NGOs over others (generally thought to be for political reasons) which has caused tensions within the NGO sector. Many of the problems with developing a domestic donor base stem from the fact that Slovakia is just emerging from an economic depression and in general, lacks a tradition of charitable giving. The NGO sector in Slovakia is beginning to realize that they are largely dependent on foreign funding and recognize that they must play a role in the development of a domestic donor base. The NGO sector, in cooperation with a multitude of private funders and government donors, has begun to explore community foundations and other community models as ways to foster community philanthropy in Slovakia. The first step in this process is a study to determine the feasibility and viability of community philanthropy in Slovakia and to look at what is already taking place. Results from the CPDI study are expected in late May, with recommendations as to next steps. We will wait to see the results of this study to determine what, if any, assistance USAID should provide for this initiative. In a complimentary initiative USAID has joined forces with the American Chamber of Commerce, other donors and private funders, and the NGO sector to foster the development of corporate philanthropy among international and domestic businesses in Slovakia. As this is a new initiative, we are still developing the details of the assistance to be provided, most likely on the "supply side." This approach, in addition to CPDI, will be important for securing the long-term sustainability of the NGO sector.

ADVOCACY & OVERSIGHT: Stage 2.5: Assets: The Gremium, an elected representative board for the NGO sector advocates for the interests of the sector and participates in the drafting of and comments on legislation relating to the NGO sector. In 1996 the Gremium organized the "SOS Third

Sector Campaign" against the then-pending Law on Foundations. The NGO sector opposed this law because they felt it increased government involvement in the registration and operation of the sector, it introduced more restrictive conditions for the registration and operation of foundations, and because it contained a requirement for minimum basic assets (100,000 SK or approximately \$3,000) which many existing foundations would not be able to meet. Through this campaign the Gremium was able to stimulate public debate of this draft legislation and to mobilize sector and public support for their position through a series of debates on this draft legislation, interviews with the media, public rallies around the country, letters to and meetings with members of parliament and the international community, etc. There are several other examples of NGOs successfully advocating for an issue or policy, and/or influencing public policy. These include the NGO People and Water's campaign against the construction of a dam in eastern Slovakia, the Association of Judges' protest against perceived political interference in the approval of two judges, the Syndicate of Journalists' opposition to the Ministry of Culture's (MoC) media law, and the Save Culture protests against perceived MoC interference in the independence of cultural institutions. Another illustration of the sector's ability and capacity to respond to changing needs, issues and interests in the community and country include the decision at the 1996 national conference to create regional offices of the Gremium in order to better serve the needs of and be in touch with NGOs around the country. This was in response to the territorial and administrative redistricting of the central government which occurred in 1996, as well as the growing regionalization of the sector. At this conference, the sector also took the first steps toward developing cooperative relationships with other sectors, including business, trade unions, and local government. This illustrates the NGO sector's awareness of the need to, and importance of, joining forces with other members of the community to pursue issues of mutual interest and to jointly solve community problems. The Gremium has since entered into an agreement of cooperation with the Confederation of Trade Unions. Problems: The sector needs to maintain the momentum gained this past year and find ways to share the lessons learned from its successful advocacy campaigns. The sector's advocacy was generally carried out in response to crisis situations, they need to develop a more sustained and strategic approach to advocacy. DemNet will continue to work with grantee NGOs and the Gremium for the Third Sector on strategic thinking and planning, and advocacy in the remaining year of the program.

PUBLIC IMAGE of NGOs: Stage 2.0: Assets: The "SOS Third Sector Campaign" mentioned already contributed significantly to increasing public knowledge of the NGO sector, to improving their understanding of the role NGOs play in democratic society, and to the development of a positive image of the sector in general. Based on the results of a public opinion poll from February 1996, the majority of respondents perceive NGOs as useful, with social and humanitarian NGOs, not surprisingly, topping the poll. Media coverage of the NGO sector has increased dramatically in the past year as well, and while the media outreach element of their work still needs development, NGOs are increasingly making media and public outreach a part of their organizational strategies. For example, over 593 articles or broadcasts dedicated to the work of DemNet grantees were reported in 1996, a figure which under-reports the actual total. Also, during the "SOS Campaign" a survey of the media found that 123 reports, articles, interviews and analyses were published over a two month period and 66% of the Slovak population reported that were aware of and paid attention to the media

debate about the Foundation Law. Problems: Some members of the current GoS are suspicious of the NGO sector, at least certain NGOs. There is a perception among the sector that the GoS would like to split the sector in order to better control it. Evidence to support this was seen in the appearance of a pro-government umbrella NGO organization, the Union of Associations and Foundations, during the midst of the "SOS Third Sector Campaign." This Union did not join in the campaign and was quoted as being in favor of the GoS' version of the draft Law on Foundations. DemNet will continue to work with grantee NGOs and the Gremium for the Third Sector on effective use of media in putting out the message about what they are doing, improving the public's perception of the NGO sector, and increasing public understanding of the role that NGOs play in a free-market, democratic society. This will be done through a series of media-outreach training events, production of a media-relations manual, of a media tracking and reporting process for each grantee, and staging of press conferences with many grantees.

USAID NGO SUPPORT - FUTURE PLANS: With the Democracy Network Program entering the final year of a three year program, we have begun to think about "what next" as far as USAID support to the NGO sector in Slovakia goes. As there already exists considerable support from bilateral and multilateral donors and private funders to support indigenous NGOs, including EU Phare, British Charities, Open Society Fund, Ford Foundation, Rockefeller Fund, Mott Foundation, Sasakawa Peace Fund, and German Marshall Fund among others, we believe that our future support for the NGO sector will be better placed in trying to generate mechanisms to support the long-term sustainability of the sector. As Slovak NGOs have proven themselves capable of managing grant funds, carrying out projects, and analyzing and addressing their own development needs, we also believe that any future assistance we provide should be conveyed directly through indigenous organizations. Therefore a U.S. NGO managed program is no longer necessary or appropriate. We have tried to identify some of the most important developmental needs which still face the sector. Many of these issues will continue to be addressed in the remaining year of DemNet and through other on-going USAID funded activities such as the NDI community organizing project and the VOCA rural development project. We believe the most pressing problem, however, is the development of a dependable, domestic financial base for the sector's long term sustainability. Right now the NGO sector is still largely dependent on foreign donors. Toward this end, we will be working directly with the NGO sector to support its own efforts to stimulate philanthropy in Slovakia, through the CPDI, as well as the corporate philanthropy initiative. Additionally, we will pursue the creation of an endowed indigenous grant-giving foundation to support democracy building NGOs beyond 1999. The goal of this foundation will be to sustain support for democratic reforms and to provide limited, longer term financial support for democracy building NGOs in Slovakia, as these NGOs are likely to have a harder time securing resources from domestic sources than NGOs working in the social, humanitarian, and environment sectors. An endowed foundation would also provide a more structured framework for identifying and supporting other worthwhile democracy building activities.

Tajikistan

Development of the Not-for-Profit NGO Sector

OVERALL: Tajikistan shares with the other nations of Central Asia the history of no prior experience for independent NGOs. The continuing civil war, recently exacerbated by the fall of Kabul to fundamentalist Moslems, dominates national politics. NGO development is an Embassy priority as a way of demonstrating a path out of war to settle conflicts.

LEGAL STATUS: Stage one. NGOs from all over the CAR met in Issykul, Krygystan in November of 1995 to discuss NGO status, including groups from Tajikistan. Follow-on activities begun last spring to follow up on this have not yet resulted in developing a unified path. Several NGOs at the initial meeting to discuss an NGO law felt that it was not the place of NGOs to become involved in advocacy.

FINANCIAL STATUS AND VIABILITY: Stage One. NGOs are grant dependent. There is a good amount of cohesion among the donor community, which can monitor the small numbers of NGOs.

ORGANIZATIONAL & MANAGEMENT CAPACITY: Stage One. Many groups in Tajikistan are still fearful of drawing government attention to themselves. They are not pushing to be models of transparency. However, the unified NGO support center in Dushanbe provides a meeting place for NGO members to develop a sense of themselves. One of their first activities was to publish a newspaper insert describing the role of the third sector.

ADVOCACY & OVERSIGHT: Stage One. Civil war has meant that many of the NGOs are formed only in single cities. The government is allowing the groups to hold meetings however, and to receive training.

PUBLIC IMAGE OF NGOS: Stage one. The third sector is not widely covered on Tajikistan electronic media, which is still struggling to get the right to establish an independent media.

OTHER DONORS:

<u>Venue</u>	<u>Source</u>	<u>Activity</u>
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TURKMENISTAN

Development of the Not-for-Profit NGO Sector

Overall assessment. Turkmenistan is basically unreformed on the issue of human rights and citizen advocacy.

LEGAL STATUS: Stage one. There are a handful of environmental NGOs which have met with little government interference. Advocacy groups in general have had difficulty conducting operations.

FINANCIAL STATUS: Stage One. NGOs are grant dependent. There is a good amount of cohesion among the donor community, which can monitor the tiny numbers of NGOs. AS they are still working on political viability, many donors are willing to support those groups that are responsibly representing citizen rights.

ORGANIZATIONAL & MANAGEMENT CAPACITY: Stage One. There have been no NGO trainings conducted in Turkmenistan. Several NGO members have attended training in Uzbekistan.

ADVOCACY & OVERSIGHT: Stage One: Problems: See above. Assets: With curiosity, if not credence, the international community has seen the opening of the new Turkmen Center for Human Rights in Ashgabat. Also, one of the NGOs in Turkmenistan has written, and had printed a book of essays on civil rights.

PUBLIC IMAGE OF NGOS: Stage one. The third sector is not at the point to discuss this.

OTHER DONORS:

<u>Venue</u>	<u>Source</u>	<u>Activity</u>
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UKRAINE

Development of the Not-for-Profit NGO Sector

OVERALL RATING: Stage One. One of the primary obstacles to developing a sustainable NGO sector in Ukraine is the lack of a legal and regulatory environment conducive for NGO growth and sustainability. In addition, there is often public misunderstanding about the role NGOs could play in the society, such as being a 'watchdog' for the government and providing social services that the government does not provide. Similarly, there is often misunderstanding among government officials about the role of NGOs in developing civil society in Ukraine. Often, the government views NGOs as their competitors which is understandable given that the government has had complete autonomy over the last 70 years. Lastly, private contribution to NGOs is minimal due to the poor economic situation and lack of incentives (e.g., tax incentives).

LEGAL ENVIRONMENT: 4 Assets: Active citizen and NGO participation in the adoption of a NGO law is anticipated in 1997. International donors are very concerned that a NGO law be adopted and the donors are working together to assist Ukrainian NGOs, government officials and legal experts in drafting NGO legislation which would hopefully create an environment conducive for NGO growth and sustainability. For instance, later this fall, the International Center for Non-Profit Law (ICNL), a U.S. PVO, supported by the MOTT Foundation, will be conducting a seminar with Ukrainian NGOs active in drafting legislation this fall. USAID's new NGO development program will address NGO legal and regulatory issues. Problems: Examples of some of the issues that need to be addressed in a NGO law are as follows: 1) NGOs need to have special tax status as non-profit organizations; 2) there needs to be some legal recourse for NGOs denied registration by the Ministry of Justice; and, 3) private organizations need tax incentives to donate funds or in-kind contributions to non-profit organizations. During the recent Gore-Kuchma talks in October 96, a representative from the Ministry of Justice spoke on NGO development and said that while a NGO law is needed in Ukraine, it will probably take a long time before it is reviewed and passed in the Rada. Interestingly, before the adoption of the Ukrainian Constitution in June 96, a draft NGO law had gone through a first reading in the Parliament.

It is our understanding that this NGO law is no longer being reviewed by Parliament and a "new" NGO law draft will be reviewed in the future.

ORGANIZATIONAL CAPACITY: 4 Assets: Sound Management and financial skills are clearly lacking in the NGO sector in Ukraine. These concepts are very new to these budding organizations. USAID has provided some very basic training in the areas of project design and NGO management. As part of the

NGO Sustainability Analysis: Ukraine

USAID-Counterpart Foundation program, a cadre of 39 Ukrainian trainers were trained who in turn trained over 1500 Ukrainian NGO leaders in project design and 500 in NGO management. Six NGOs resource centers throughout Ukraine have recently been supported by a joint grant from the Eurasia, Soros and Mott Foundations. These NGO resource centers will provide support the NGOs in their regions by providing individual NGOs access to hardware such as computers and faxes as well as providing training and disseminating/sharing information among NGOs and fostering the development of NGO coalitions. These resource centers will also reach out to NGOs working in undeserved rural areas. Broad based training and technical assistance is one of the main activities to be provided under the new USAID NGO program. Training will cover such topics as community organization and needs assessment, by-laws and mission statements, program planning, staff recruitment and training, fund-raising and grant-writing, financial management, program implementation, program evaluation, government relations, etc. In addition, this program will provide specialized technical assistance to certain social service NGOs, as needed.

FINANCIAL VIABILITY: 4 Assets: NGOs are receiving financial support from a variety of donors active in Kyiv such as USAID (i.e., USAID supported U.S. PVOs, Eurasia Foundation), International Renaissance (Soros) Foundation, United Nations, TACIS and the Canadian Embassy. USAID-supported Counterpart Foundation held a conference in June 1996 which focused on replicable and income generating models for the provision of social services. Sustainability of indigenous NGOs has become a major issue for the international donor community. Clear understanding among NGOs of the fact that only potentially sustainable projects will be supported by donors is being achieved.

ADVOCACY: 4 Assets: Groups focussing on advocacy, politics, business, health care, social welfare, and environmental concerns have been formed, thus a response to specific issues is clearly evident. A number of cases portray citizens and NGOs ability to successfully advocate on behalf of citizen interests. For example, town hall meetings have been organized in support of the drafting of the new Constitution, a civil code, and a wide variety of legislation; and the Ukrainian Association of Cities is now lobbying the central government for greater decentralization. In addition, the Ukrainians have expressed great interest in the establishment and operation of some form of clearinghouse for NGO information and expertise. An NGO seminar is being organized by the Pylyp Orlyk Institute to address the issues like advocacy and lobbying. Problems: Citizens' lack of experience with a civil society have hindered the development of NGOs.

PUBLIC IMAGE: 4 Assets: Ukrainians realize the extent of the

NGO Sustainability Analysis: Ukraine

problems facing their country and seem open to the idea that government alone cannot remedy this situation and that NGOs are essential to this end. As previous examples above indicated, human rights investigations, regular public opinion polls, public policy journals, and political TV programs are a product of the NGOs and have helped contribute to their social and political stature. In addition, increased NGOs and membership as related to provision of services and policy advocacy is expected in 1997 and 1998, and greater debate and media coverage throughout Ukraine of the issue of women's role in Ukrainian society, catalyzed in part by women's NGOs, is predicted. Problems: Although some Ukrainian governmental officials understand and appreciate the role NGOs may/should play in the society, the majority of them, having no experience working with NGOs, use their power not to admit NGOs in the social and political structure of the country.

OTHER DONORS:

<u>Venue</u>	<u>Source</u>	<u>Activity</u>
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UZBEKISTAN

Development of the Not-for-Profit NGO Sector

Overall: Uzbekistan shares with the other nations of Central Asia the history of no prior experience for independent NGOs. The government's stated policy is that the country is going through a phased transition of the economy, to avoid social turmoil. In practice, Uzbekistan still monitors dissent.

LEGAL STATUS: Stage One. NGOs from all over the CAR met in Issykul, Krygystan in November of 1995 to discuss NGO status, including groups from Uzbekistan. Follow-on activities begun last spring to follow up on this have resulted in a new alliance among NGOs, but they have not successfully drafted a new law on registration. Asset: Following President Karimov's visit to the United States he has shown a new openness to discuss issues surrounding human rights.

FINANCIAL STATUS: Stage One. Mostly, NGOs are grant dependent. There is a good amount of cohesion among the donor community, which can monitor the still small numbers of NGOs. There have been several efforts to intensively partner USPVOs with indigenous NGOs. This has had varying degrees of success, as the new NGOs struggle with the old state NGOs which carried out their functions. As in the past "interest groups" were mandated and paid for by the state, it is still difficult to encourage these groups to become financially self sufficient.

ORGANIZATIONAL & MANAGEMENT CAPACITY: Stage One. Many groups in Uzbekistan are still fearful of drawing government attention to themselves. They are not pushing to be models of transparency.

ADVOCACY & OVERSIGHT: Stage One. There is no local government, and the parliament has yet to differentiate itself as a democratic institution. In the interest of phased change, most consultations that the parliament has show interest in have been economic laws. Asset: Recent follow on surveys of groups in Uzbekistan who had received grants showed that nearly 50% of them had had some contact with government officials regarding their NGO or the issue in which they were interested. (Note: the question did not seek to see if it was a positive interaction, and whether there was a change in the officials attitude.) The target for NGOs having media contacts at the beginning of 1996 was 10%, after a successful pilot training, this area became a training priority, and the recent feedback from surveyed NGOs was that 70% of them had had interactions with the media.

PUBLIC IMAGE OF NGOS: Stage one. The third sector is not widely covered on Uzbekistan electronic media, which is still struggling to get the right to establish an independent media.

OTHER DONORS:

<u>Venue</u>	<u>Source</u>	<u>Activity</u>
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